

Message Text

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65-61

ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05

L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02

SS-15 STR-01 TRSE-00 FRB-03 FEA-01 PA-01 PRS-01

USIA-06 JUSE-00 /085 R

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

C O N F I D E N T I A L STATE 029895

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: YPFB OIL PRICE PROBLEM

REF: LA PAZ 779

1. YPFB SOURCE REFERRED TO IN REFTEL APPARENTLY DOES NOT UNDERSTAND ARAB AND OPEC PRICING SYSTEM. ALL OPEC OIL PRICES ARE GEARED TO SAUDI ARABIAN (34 DEGREE GRAVITY) CRUDE. IN DECEMBER, OPEC MEMBERS ACCEPTED AN EARLIER SAUDI DECISION TO RAISE AVERAGE GOVERNMENT TAKE ON THIS BENCHMARK CRUDE TO DOLS 10.12 A BARREL FOR THAT LIFTED
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BY THE OPERATING COMPANY, ARAMCO (EXXON, TEXACO, SOCAL,

AND MOBIL). THIS FIGURE REPRESENTS A COST TO ARAMCO OF DOLS 9.80 ON ITS EQUITY OIL (40 PERCENT OF PRODUCTION) AND DOLS 10.34 ON THE BUY BACK PORTION (60 PERCENT OF PRODUCTION). TO THIS THE COMPANY MUST ADD ITS PRODUCTION COST (AROUND .16 A BARREL) TO DETERMINE ITS F.O.B. PRICE. OTHER CUSTOMERS MUST PAY SAUDI ARABIA 93 PERCENT OF POSTED PRICE OR APPROXIMATELY DOLS 10.46 A BARREL. ARAMCO'S DISCOUNT, THEREFORE, IS AROUND 18 CENTS A BARREL.

2. OTHER OPEC COUNTRIES CALCULATE THEIR PRICES ON THE BASIS OF SAUDI CRUDE, TAKING TRANSPORTATION AND QUALITY

DIFFERENTIALS INTO ACCOUNT. NON-OPEC OIL EXPORTERS USUALLY USE ROUGHLY THE SAME YARDSTICK IN ORDER TO BE COMPETITIVE. LANDED COST IN THE US OF BOLIVIAN CRUDE, TAKING INTO ACCOUNT ITS RELATIVE QUALITY ADVANTAGES, WOULD BE ROUGHLY COMPETITIVE WITH THAT FROM THE MIDDLE EAST AND ELSEWHERE. VENEZUELA AND ECUADOR ALSO CALCULATE THEIR PRICES SO AS TO BE COMPETITIVE WITH MID EAST OIL IN THE US MARKET.

3. ALL FOREIGN OIL IMPORTS ARE EQUALLY SUBJECT TO THE NEW IMPORT FEE (DOLS 1 FROM FEBRUARY 1, DOLS 2 FROM MARCH 1, AND DOLS 3 FROM APRIL 1). INDIVIDUAL COMPANIES MAY DECIDE TO ABSORB PART OF THE FEE BY REDUCING THEIR PROFITS, BUT WE ANTICIPATE THAT MOST OF THE FEE WILL BE PASSED ON TO THE CONSUMERS, THEREBY REDUCING DEMAND AND IMPORTS. IT IS CERTAINLY NOT REP NOT CORRECT THAT OIL IMPORT FEE WILL DISCRIMINATE AGAINST BOLIVIAN OIL IMPORTS IN COMPARISON WITH THOSE FROM ARAB OR OTHER PRODUCERS.

4. IF YPFB DESIRES CONTACT US BUYERS, IT CAN PROBABLY BEST DO SO THROUGH NORMAL COMMERICAL CHANNELS OR VIA BOLIVIAN EMBASSY IN WASHINGTON. INGERSOLL

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